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**FEDERAL AUTHORITIES ANNOUNCE SIGNIFICANT REGIONAL FEDERAL
MORTGAGE FRAUD INVESTIGATIONS AND PROSECUTIONS COINCIDING WITH
NATIONWIDE "OPERATION MALICIOUS MORTGAGE" TAKEDOWN**

SACRAMENTO, Calif.—United States Attorney McGregor W. Scott, FBI Special Agent-in-Charge Drew Parenti; and Internal Revenue Service—Criminal Investigation Special Agent-in-Charge Scott O'Briant announced today a number of significant events that have occurred here in the Eastern District of California as part of the United States Department of Justice's nationwide takedown, "Operation Malicious Mortgage."

These cases have arisen out of the efforts of the Eastern District of California Mortgage Fraud Task Force, which was created as a result of a significant increase in reported mortgage fraud. Members of the task force include representatives from the United States Attorney's Office, the Federal Bureau of Investigation, the Internal Revenue Service- Criminal Investigations, the Department of Housing and Urban Development, the United States Bankruptcy Trustee's Office, and the California Department of Real Estate. The task force allows for a more targeted, coordinated approach in prioritizing the massive volume of referrals being made to federal and state agencies.

Mortgage fraud cases in the Eastern District of California include:

United States v. Joy Johnson et al.

Nine defendants were charged by complaint Tuesday with mail fraud, money laundering, and related offenses in connection with a "cash back to buyer" mortgage fraud scheme that occurred between May 2006 and September 2006. The defendants charged are JOY JOHNSON, 33; ELIZABETH CARRION, 38; husband and wife LENIN and CARMEN GALEANO, 32 and 30; ANGELITO EVANGELISTA, 40; husband and wife CLARISA and CRIS ANG, 43 and 46; CRIS' mother LYDIA ANG, 71; and CORY WHALEN, 31. All defendants are from Solano County. The defendants purchased 12 houses in Solano County. In all but one of the transactions, the real estate agent was JOHNSON. The real estate transactions were designed to allow the sellers to credit defendants "money for repairs" at the close of escrow. The purchase prices were substantially inflated from the list prices, and the increases were then credited at the close of escrow to fictitious businesses controlled by the defendants. The defendants by and large did not use the funds they received for repairs on the properties. Instead, the funds were used to pay the mortgage payments on the properties and for

living expenses. In addition, the loan applications contained false information about employment, income, assets, real estate owned, and/or occupancy status. Eleven of the homes have either been foreclosed upon or have had notice of defaults recorded against them. The amount of loss attributed to these defaults has not been determined, but it is anticipated the lenders will sustain losses in excess of one million dollars. This case was investigated by the FBI and IRS-Criminal Investigation. The case is being prosecuted by Assistant United States Attorney Courtney Linn.

United States v. Villegas

MELISSA VILLEGAS, 29, of Natomas, was arrested Monday in Sacramento, charged with lying to federal agents. According to the complaint, she had been involved in transactions that were the subject of a mortgage fraud investigation, including paying money to a suspected straw buyer. During the course of the investigation, VILLEGAS falsely stated that she had not paid any money to this other person whom investigators believed to be a straw buyer in a mortgage fraud scheme. This case is being investigated by the FBI and IRS-Criminal Investigation. The case is being prosecuted by Assistant United States Attorney Russell Carlberg.

***United States v. Ahmad et al.; United States v. Bridge; United States v. Blanford;
and United States v. Ngo***

Seven defendants are facing charges or have been sentenced arising out of a “straw buyer” mortgage fraud scheme. IFTIKHAR AHMAD, 36; MANPREET SINGH, 24; and JOSE SERRANO, 44, each from Stockton, California, were indicted on October 25, 2007, for mail fraud. AHMAD and SERRANO were also charged with money laundering. Between 2003 and 2005, the defendants engaged in a scheme to defraud in connection with residential real property purchases primarily in the Stockton area. AHMAD, through I & R Investment Properties, fraudulently sold 10 houses to straw buyers, obtaining in excess of \$1.5 million. AHMAD pleaded guilty on April 28, 2008 to mail fraud and money laundering. SERRANO pleaded guilty on April 17, 2008, to mail fraud. SINGH pleaded guilty on March 31, 2008, to mail fraud. All three are scheduled to be sentenced on August 25, 2008. Also arising out of the AHMAD investigation, four other defendants have been charged in separate cases, discussed below.

WILLIAM T. BRIDGE, 41, of San Francisco, California entered a guilty plea Monday to one count of filing a false tax return and three counts of paying illegal kickbacks to a loan coordinator at Long Beach Mortgage between 2003 and 2006. BRIDGE, a loan broker, admitted that in each of those tax years, he derived more than \$10,000 from criminal activity involving fraudulent loans funded by Long Beach Mortgage on houses purchased in Sacramento and Stockton. The total tax loss to the United States for those tax years exceeded \$1,000,000. BRIDGE also pleaded guilty to paying illegal kickbacks to a loan coordinator at Long Beach Mortgage in violation of the Real Estate Settlement Procedures Act of 1974 (RESPA). BRIDGE paid a loan coordinator working for Long Beach Mortgage more than \$120,000 between July 2003 and March 2007, in exchange for the loan coordinator using his position at Long Beach Mortgage to process fraudulent loan applications submitted by BRIDGE. He is scheduled

to be sentenced on September 2, 2008.

PAUL BRIDGE, William's brother, who is also a loan broker, was charged Tuesday with paying kickbacks in violation of RESPA.

JOEL BLANFORD, 40, of San Ramon, Calif., was indicted on June 12, 2008, on six counts of mail fraud and one count of conspiring to engage in money laundering. From April 2003 through October 2005, BLANFORD, while working as a sales representative for Long Beach Mortgage, participated in a scheme to defraud that company. BLANFORD allegedly paid a Long Beach Mortgage loan coordinator in cash and checks to falsify documents, provide false verification of borrowers' employment or professional licensing status, and to turn a blind eye to fraudulent representations contained in loan applications and other documents submitted to Long Beach Mortgage. In each of the years 2003, 2004, and 2005, the indictment alleges that BLANFORD received, before taxes and payroll deductions, more than \$1,000,000 in commissions and other compensation from Long Beach Mortgage. The indictment further charges that between April 2003 and October 2005, he conspired with others to engage in money laundering in order to conduct financial transactions to promote the carrying on of the fraud scheme and to conceal and disguise the nature and source of the payments to the loan coordinator.

JOHN NGO, 27, of Dublin, California, was charged with lying under oath before a federal grand jury. He pleaded guilty on December 17, 2007, and is scheduled to be sentenced on July 14, 2008. NGO admitted that between September 2001 and May 2006, he worked as a Senior Loan Coordinator at Long Beach Mortgage, a subprime lender of residential real property that is now a subsidiary of Washington Mutual. NGO was responsible for validating and verifying loan application information, including employment information, submitted by loan applicants. In September 2007, NGO testified under oath before a federal grand jury investigating a mortgage fraud scheme in the San Joaquin County area. He was asked whether a mortgage broker had given NGO any money. NGO falsely testified that the broker had not given him any money. In fact, records later obtained from Bank of America showed that between July 2003 and March 2007, NGO received in excess of \$100,000 in checks and bank transfers from the mortgage broker. NGO admitted in his plea agreement that most of the payments were to ensure that fraudulent loan applications were processed and funded. NGO also admitted he received payments from Long Beach Mortgage sales representatives to push applications through the funding process. He knew many of these applications were fraudulent, and he and others took steps to "fix" applications by creating false documents or adding false information to the applications or the loan file.

These cases were investigated by the FBI and IRS-Criminal Investigation, and are being prosecuted by Assistant United States Attorneys Benjamin Wagner and Courtney Linn.

United States v. Charles Head

CHARLES HEAD, 33, of Los Angeles, California, was the leader of a nationwide "foreclosure rescue" scam, netting approximately \$6.7 million in fraudulently obtained funds taken from 47 homeowners, nearly all of whom were located in California. On February 28, 2008, a federal grand jury indicted Head and 15 other defendants with violations of mail

fraud, conspiracy to commit money laundering and related offenses. The defendants are alleged to have used straw buyers to replace victim homeowners on the titles of properties without the homeowners' knowledge. These straw buyers were often friends and family members of the defendants. Once the straw buyer had title to the home, the defendants immediately applied for a mortgage to extract the maximum available equity from the home. The defendants then shared the proceeds of the ill-gotten equity and the "rent" that the victim homeowners paid them. Ultimately, the victim homeowners were left without their home, equity, and with damaged credit ratings.

On March 13, 2008, the grand jury returned a second indictment in the HEAD case against seven defendants, including four not charged in the first indictment. "Head Two" involved an "equity stripping" scheme, netting approximately \$5.9 million in stolen equity from 68 homeowners in states across the nation. This time CHARLES HEAD allegedly altered the scheme by recruiting strangers via the Internet to act as straw buyers. Under this new scheme, he would receive approximately 97% of the stolen equity. His "sales agents" and employees, and the other defendants, would receive the remaining 3% of equity.

The following defendants were charged in the "Head One" indictment: CHARLES HEAD; JEREMY MICHAEL HEAD, 30, of Huntington Beach, California; ELHAM ASSADI, aka Elham Assadi Jouzani, aka Ely Assadi, 30, of Irvine, California; LEONARD BERNOT, 51, of Laguna Hills, California; AKEMI BOTTARI, 28, of Los Angeles; JOSHUA COFFMAN, 29, of North Hollywood; JOHN CORCORAN, aka Jack Corcoran, 52, of Anaheim; SARAH MATTSON, 27, of Phoenix, Arizona; DOMONIC McCARNS, 33, of Brea, California; ANH NGUYEN, 36, of Los Angeles; OMAR SANDOVAL, 32, of Rancho Cucamonga, California; XOCHITL SANDOVAL, 29, of Rancho Cucamonga; EDUARDO VANEGAS, 28, of Phoenix; ANDREW VU, 39, of Santa Ana; JUSTIN WILEY, 28, of Irvine; and KOU YANG, 32, of Corona, California. The following defendants were charged in the "Head Two" indictment: CHARLES HEAD, JOHN CORCORAN, KOU YANG, each also charged in "Head One," as well as KEITH BROTEMARKLE, 42, of Johnstown, Pennsylvania; BENJAMIN BUDOFF, 41, of Colorado Springs, Colorado; DOMONIC McCARNS, 33, of Brea; and LISA VANG, 24, of Westminster.

This case was investigated by the FBI and IRS-Criminal Investigation, and is being prosecuted by Assistant United States Attorneys Laura Ferris, Rob Tice-Raskin, and Ellen Endrizzi.

United States v. Santa et al.

MARIA SANTA, 33; VIRGIL SANTA, 35; and CANDIT SAVA, JR., 26, all of Sacramento, were charged by complaint on March 17, 2008. The complaint alleged that beginning in November 2006, MARIA SANTA and SAVA prepared and submitted loan applications containing false statements as to employment and monthly income, and other false information, of a straw purchaser in order to purchase houses in the name of the straw purchaser. The complaint further alleged that MARIA SANTA and SAVA committed identity theft by using a victim's identity to purchase property. The case was investigated by the Internal Revenue Service-Criminal Investigation and the California Department of Real Estate, and is being prosecuted by Assistant United States Attorney Matthew Stegman.

United States v. Swift

SENNETT H. SWIFT, 25, of Sacramento, was sentenced on April 29, 2008, to 15 months in prison on charges of bank fraud and money laundering. He pleaded guilty on January 15, 2008. SWIFT, who was not a licensed loan broker, defrauded two homeowners and the corresponding lenders by fraudulently refinancing two homes, the goal of which was to receive substantial loan broker commissions. To accomplish this fraud, the defendant solicited the two homeowners and falsely told them that they would receive loans with favorable terms, such as a low adjustable rate that would not increase above a certain rate cap. He also falsely led homeowners to believe that their prepayment penalties on their existing mortgages would be rebated by the defendant. Actually, SWIFT knew that the rate caps were much higher than promised, and never intended to rebate the prepayment penalties. Additionally, in one of the cases, SWIFT submitted a forged loan application and forged documents to the lender. Further, the loan application contained false information such as inflated wages. The case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service—Criminal Investigation and was prosecuted by Assistant United States Attorney Matthew Stegman.

The above charges, except those to which defendants have already pleaded guilty, are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt. The maximum statutory penalties for mail fraud is 20 years in prison and a fine. The maximum statutory penalty for money laundering is 10 or 20 years in prison and a fine. The maximum statutory penalty for bank fraud is 30 years in prison and a fine. The maximum statutory penalty for identity theft is 15 years in prison and a fine. The maximum statutory penalty for lying to a federal agent is five years in prison and a fine. The maximum statutory penalty for perjury before a grand jury is five years in prison and a fine. The maximum statutory penalty for filing a false tax return is three years in prison and a fine. The maximum statutory penalty for a RESPA violation is one year in prison and a fine. The actual sentence, however, will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables and any applicable statutory sentencing factors.

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